

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 FRB-01 INR-10 NSAE-00 SP-02 STR-07  
TRSE-00 LAB-04 SIL-01 OMB-01 PA-02 USIA-15 NSC-05  
SS-15 L-03 H-02 ITC-01 /096 W  
-----084641 221512Z /53

R 221448Z MAR 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 5620  
INFO ALL EC CAPITALS

UNCLAS SECTION 01 OF 02 BRUSSELS 05688

USEEC  
PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A  
TAGS: EAGR, EEC, EP  
SUBJ: EUROPEAN PARLIAMENT'S MARCH SESSION: DEBATE ON  
- AGRICULTURAL PRICE POLICY FOR 1978-79

REF: (A) BRUSSELS EC A-96 (B) BRUSSELS 4693  
- (C) BRUSSELS 3524

1. SUMMARY: DURING ITS MARCH PLENARY SESSION IN STRASBOURG, THE EUROPEAN PARLIAMENT (EP) HELD AN EXTENSIVE TWO-DAY DEBATE (MARCH 15-16) ON THE EC COMMISSION'S PROPOSED AGRICULTURAL POLICY FOR 1978-79. THE DEBATE CONCLUDED WITH EP ADOPTION OF THE COMMISSION PROPOSAL FOR A 2 PERCENT AGRICULTURAL PRICE INCREASE (IN UNITS OF ACCOUNT) BUT ONLY AFTER STRONG SUPPORT WAS VOICED IN FAVOR OF A 5 PERCENT RISE AS RECOMMENDED BY THE EP AGRICULTURAL COMMITTEE, THUS HIGHLIGHTING THE DIVISIONS AMONG EP POLITICAL GROUPS OVER THIS ISSUE. IN ARGUING IN FAVOR OF THE COMMISSION'S PRICE PACKAGE, EC COMMISSION VICE PRESIDENT GUNDELACH URGED THE NEED FOR PRICE MODERATION  
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AND DESCRIBED THE EP AGRICULTURAL COMMITTEE'S RECOMMENDATION AS "SHEER FOLLY". END SUMMARY.

2. THE CLEARLY NEGATIVE MANNER IN WHICH THE EP AGRICULTURAL COMMITTEE'S RAPPORTEUR, BRITISH SOCIALIST WILLIAM MARK HUGHES, ORALLY PRESENTED HIS REPORT ON THE EC COMMISSION'S PROPOSED AGRICULTURAL PRICE POLICIES FOR

1978-79 NOT ONLY REFLECTED THE DISSENSION WITHIN THE COMMITTEE OVER THE EXTENT OF THE AGRICULTURAL PRICE RISE TO BE PUT INTO EFFECT, BUT FORECAST DIVISION AND SHARP DEBATE IN THE EP PLENARY. EXPLAINING HE WAS UNABLE TO SUPPORT HIS OWN REPORT IN ITS PRESENT FORM BECAUSE OF UNACCEPTABLE (FOR HIM) AMENDMENTS APPROVED BY THE COMMITTEE, HUGHES STATED THAT THE GROWING GAP BETWEEN FARM INCOMES IN DIFFERENT MEMBER STATES AND BETWEEN DIFFERENT TYPES OF FARMING WAS IMPAIRING THE COMMUNITY'S ABILITY TO ACHIEVE THE AIMS OF THE COMMON AGRICULTURAL POLICY (CAP) FOR HIGHER PRODUCTIVITY, FAIR INCOMES FOR FARMERS, STABLE MARKETS, STEADY SUPPLIES AND FAIR CONSUMER PRICES. HE CHARGED THAT THE COPA'S (EC-WIDE COMMITTEE OF AGRICULTURAL ORGANIZATIONS) CALL FOR A 5 PERCENT AGRICULTURAL PRICE INCREASE WOULD HAVE A DELETERIOUS EFFECT ON THOSE MEMBER STATES WHERE THERE IS NO SCOPE FOR FURTHER ADJUSTMENTS OF THE "GREEN" CURRENCIES AND THAT SUCH AN INCREASE WOULD DO LITTLE TO RESOLVE THE PROBLEM OF AGRICULTURAL SURPLUSES. IN CONCLUSION HE ARGUED THAT THE EP SHOULD NOT SERVE AS THE MOUTHPIECE FOR THE FARMING COMMUNITY.

3. SPEAKING ON BEHALF OF THE EP BUDGET COMMITTEE, FRENCH LIBERAL CAILLEVET, NOTED THAT HIS COMMITTEE SUPPORTED THE 2 PERCENT PRICE INCREASE PROPOSED BY THE COMMISSION (ALTHOUGH HE HIMSELF WOULD HAVE PREFERRED A 4-1/2 PERCENT RISE) AND AGREED WITH THE COMMISSION'S PROPOSALS FOR UNCLASSIFIED

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PHASING OUT MONETARY COMPENSATORY AMOUNTS (MCA), BUT DURING A 3-5-YEAR PERIOD RATHER THAN THE SEVEN-YEAR TIME-FRAME PROPOSED BY THE COMMISSION. THE RAPPOREUR OF THE EP ENVIRONMENT, PUBLIC HEALTH AND CONSUMER PROTECTION COMMITTEE SUPPORTED, ON BEHALF OF HIS COMMITTEE, THE 2 PERCENT RICE AS BEING ANTI-INFLATIONARY AND ANTI-SURPLUS.

4. IN OUTLINING THE COMMISSION'S AGRICULTURAL PRICE POLICY, GUNDELACH ARGUED IN FAVOR OF PRICE MODERATION AS THE NECESSARY MEANS FOR OVERCOMING UNWANTED SURPLUSES OF CERTAIN PRODUCTS AND ENCOURAGING INEFFICIENT FARMERS TO CHANGE TO OTHER PRODUCTION. HE NOTED THAT THE COMMUNITY IS PRODUCING MAJOR COMMODITIES (SUCH AS MILK, BUTTER AND SUGAR) FOR A NON-EXISTENT MARKET. A LARGE PRICE INCREASE, HE CONTINUED, WOULD SIMPLY LEAD TO INCREASED PRODUCTION, THEREBY CREATING LARGER SURPLUSES, HIGHER CONSUMER PRICES AND A DROP IN CONSUMPTION. MOREOVER, HE SAID, A 5 PERCENT INCREASE WOULD RESULT IN EXTRA COST TO THE COMMUNITY TAX-PAYER OF 300 MILLION UNITS OF ACCOUNT PER YEAR, WHILE INCREASING THE DISPARITIES BETWEEN THE LARGE AND SMALL FARMERS. COUNTERING THE ARGUMENT THAT A 5 PERCENT RISE IS

NECESSARY TO INSURE ADEQUATE FARMER INCOME, GUNDELACH POINTED OUT THAT, UNLIKE OTHER INDUSTRIES, FARMERS HAD BEEN SHELTERED FROM INFLATION AND HIGH UNEMPLOYMENT, AND THAT THEIR INCOMES HAD RISEN IN REAL TERMS IN 1976 AND 1977. HE FURTHER SAID THAT THE COMMISSION'S PROPOSED 2 PERCENT INCREASE IN FARM PRICES WILL LEAD TO DE FACTO INCREASES IN FARMER INCOMES OF CONSIDERABLY MORE. GUNDELACH CONCLUDED HIS REMARKS BY URGING AGRICULTURAL FISCAL RESPONSIBILITY IN ORDER TO DEAL EFFECTIVELY WITH THE PROBLEM OF OVER-SUPPLY OF CERTAIN PRODUCTS.

5. DEBATE ON THE COMMISSION'S AGRICULTURAL PRICE PACKAGE PICKED UP IN EARNEST FOLLOWING BRIEF STATEMENTS BY COMMISSIONER BURKE SUPPORTING GUNDELACH'S VIEWS AND BY EC UNCLASSIFIED

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INFO OCT-01 ISO-00 AGRE-00 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 FRB-01 INR-10 NSAE-00 SP-02 STR-07  
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TO SECSTATE WASHDC 5621  
INFO ALL EC CAPITALS

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COUNCIL PRESIDENT, DANISH MINISTER OF AGRICULTURE DALSAGER, OUTLINING THE DIFFICULTIES FACING THE COMMUNITY IN DETERMINING FARM PRICES. THE EP WAS ROUGHLY EVENLY DIVIDED BETWEEN THE PRO-CONSUMER AND PRO-FARMER GROUPS. THOSE MPS FAVORING A 5 PERCENT INCREASE (THE MAJORITY OF

THE CHRISTIAN DEMOCRATS, LIBERALS AND EUROPEAN PROGRESSIVE DEMOCRATS) DOUBTED THAT THE COMMISSION'S PROPOSAL WOULD BE SUFFICIENT TO OFFSET RISING PRODUCTION COSTS AND THAT THE PRICE POLICY, BY ITSELF, COULD RESTORE BALANCE TO A MARKET UNDERMINED BY CURRENCY DIFFERENTIALS AND A HUGE SURPLUS PROBLEM. THE MAJORITY OF THE SOCIALISTS, THE COMMUNISTS AND THE EUROPEAN CONSERVATIVES, ON THE OTHER HAND, SUPPORTED THE 2 PERCENT PRICE RISE, WITH SOME SPEAKERS CALLING FOR MORE RESTRICTIVE MEASURES IN CERTAIN AREAS. INTERESTINGLY, ALL THE ITALIAN PARLIAMENTARIANS, WHATEVER THEIR POLITICAL STRIPE, FAVORED THE 2 PERCENT INCREASE (ALTHOUGH THE ITALIAN COMMUNISTS ABSTAINED ON THE PROPOSAL IN THE END), WHILE THE FRENCH REPRESENTATIVES (PARTICULARLY THE FRENCH SOCIALISTS WHO BROKE RANKS WITH OTHER SOCIALISTS AT THE TIME OF THE VOTE ON THE AGRI-  
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CULTURAL COMMITTEE'S REPORT) FAVORED THE 5 PERCENT INCREASE RECOMMENDED BY THE EP AGRICULTURAL COMMITTEE. THE DEBATE CONCLUDED WITH THE ADOPTION, BY A NARROW MARGIN, OF A HEAVILY AMENDED RESOLUTION OF THE AGRICULTURAL COMMITTEE WHICH BROADLY SUPPORTED THE COMMISSION'S PROPOSALS BY AGREEING TO: AN AVERAGE INCREASE IN FARM PRICES OF 2 PERCENT IN UNITS OF ACCOUNT; THE ELIMINATION OF MCAS WITHIN 2-3 YEARS; THE REDUCTION OF THE "B" SUGAR QUOTA FROM 35 PERCENT TO 20 PERCENT OF THE "A" QUOTA; A REPORT ON THE WAY THE CO-RESPONSIBILITY LEVY IN THE DAIRY SECTOR IS WORKING OUT IN PRACTICE; AND THE ADOPTION OF A COMMON ORGANIZATION OF THE SHEEPMET MARKET. MORRIS

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## Message Attributes

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